

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Greater Lapeer Transportation Authority	County Lapeer
Fiscal Year End September 30, 2006	Opinion Date 11/22/06	Date Audit Report Submitted to Sate 1/3/07	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | |
|-----|-------------------------------------|--------------------------|---|
| | | | Check each applicable box below. (See instructions for further detail.) |
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number 989-793-9830	
Street Address 3023 Davenport		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Mari McKenzie	License Number 10725

Greater Lapeer Transportation Authority

Lapeer, Michigan

Annual Financial Statements

and Auditors' Report

September 30, 2006

Greater Lapeer Transportation Authority

Lapeer, Michigan

Annual Financial Statements

and Auditors' Report

September 30, 2006

BOARD OF DIRECTORS

OFFICERS

JOHN KOSIARA

CHAIRPERSON

ALICE BAHLS

VICE CHAIRPERSON

CHERYL RHEIN-O'NEILL

SECRETARY

CAROL WEGHER

TREASURER AND
EXECUTIVE DIRECTOR

TRUSTEES

DALE KERBYSON

DICK SCRIMGER

BARBARA MORAN

DAWN WALKER

DAN VAN NORMAN

OTHER

BEVERLY DUPUIS

RECORDING SECRETARY

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Independent Auditors' Report

Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan 48446

We have audited the statement of net assets of the Greater Lapeer Transportation Authority as of and for the year ended September 30, 2006, and the related statements of revenue, expenses and changes in net assets, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Greater Lapeer Transportation Authority as of September 30, 2006 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Mileage Data is unaudited and we express no opinion on it.

The Greater Lapeer Transportation Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.
Saginaw, Michigan
November 22, 2006

Greater Lapeer Transportation Authority
Statement of Net Assets
September 30, 2006

Assets

Current assets

Cash	\$ 321,926
Accounts receivable	89,016
Due from state and federal government	79,623
Prepaid expenses	<u>13,193</u>
Total current assets	<u>503,758</u>

Capital assets

Land	46,805
Buildings	1,976,457
Vehicles	1,506,734
Office equipment	68,121
Maintenance equipment	116,478
Communication equipment	35,307
Accumulated depreciation	<u>(1,250,571)</u>
Net capital assets	<u>2,499,331</u>
Total assets	<u>3,003,089</u>

Liabilities

Current liabilities

Accounts payable	41,542
Due to state	45,328
Accrued payroll	28,718
Accrued payroll liabilities	11,863
Compensated absences	12,661
Deferred revenue	<u>100</u>
Total liabilities	<u>140,212</u>

Net assets

Investment in capital assets	2,499,331
Unrestricted	<u>363,546</u>
Total net assets	<u><u>\$ 2,862,877</u></u>

Greater Lapeer Transportation Authority
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended September 30, 2006

Operating revenues	
Demand response	\$ 670,170
Operating expenses	<u>1,786,317</u>
Operating loss	<u>(1,116,147)</u>
Nonoperating revenues - local	<u>85,695</u>
Nonoperating revenues - state and federal	
Operating grant revenue	923,333
Capital grant revenue	<u>11,523</u>
Total nonoperating revenue - state and federal	<u>934,856</u>
Decrease in net assets	(95,596)
Net assets - beginning of year	<u>2,958,473</u>
Net assets - end of year	<u><u>\$ 2,862,877</u></u>

Greater Lapeer Transportation Authority
Statement of Cash Flows
For the Year Ended September 30, 2006

Cash flows from operating activities

Operating revenue	\$ 607,669
Payment to suppliers	(529,646)
Payment to employees	(926,742)
	<u>(848,719)</u>
Net cash used by operating activities	<u>(848,719)</u>

Cash flows from noncapital financing activities

Local nonoperating revenue	73,517
State nonoperating revenue	666,756
Federal nonoperating revenue	256,577
	<u>996,850</u>
Net cash flows provided by noncapital financing activities	<u>996,850</u>

Cash flows from capital and related financing activities

State and federal government grants	11,523
Acquisition of capital assets	(8,128)
	<u>3,395</u>
Net cash flows provided by capital and related financing activities	<u>3,395</u>

Cash flows from investing activities

Interest earned	<u>12,178</u>
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Net increase in cash	163,704
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Cash - beginning of year	<u>158,222</u>
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Cash - end of year	<u><u>\$ 321,926</u></u>
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Operating loss	\$ (1,116,147)
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Adjustments to reconcile net income to net cash provided by operating activities

Depreciation	303,492
Decrease (increase) in	
Accounts receivable	(1,916)
Prepaid expenses	(662)
Due from state and federal government	(36,429)
Increase (decrease) in	
Accounts payable	21,947
Due to state	(24,156)
Accrued payroll	1,162
Accrued payroll liabilities	1,770
Compensated absences	2,220
	<u>2,220</u>

Net cash used by operating activities	<u><u>\$ (848,719)</u></u>
---------------------------------------	----------------------------

See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Greater Lapeer Transportation Authority is a public body organized as a legal entity pursuant to Public Act 196 of 1986. The Authority has the capability and the authority to provide public transportation to the general public in the City of Lapeer and surrounding areas. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. By this definition, no component units are included in the Greater Lapeer Transportation Authority's financial report.

BASIS OF ACCOUNTING

The Authority follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

CASH

At September 30, 2006 cash consisted of demand deposits and money market savings accounts.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES

Compensated sick leave is granted to each full-time employee at the rate of 2 hours per pay period. Unused sick leave may be accumulated not to exceed 240 days. Upon separation of employment, employees shall not be paid for unused sick leave.

Each full-time employee shall accrue one week of vacation after completing one year of employment. After two years of employment, employees accrue two weeks and after 10 years, they shall accrue three weeks. Vacation time must be used within one year after it is earned. Upon separation of employment, employees shall receive payment for all unused vacation leave.

Vacation or sick leave utilized during the current year is recorded as a current fringe benefit expenditure. At year-end, each employee's accumulated leave is computed by applying his current (year end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an adjusting entry posted to the liability and expenditures accounts.

CAPITAL ASSETS

Capital assets are stated at cost. Depreciable capital assets are depreciated over the estimated useful life of the asset using the straight-line method. The useful life of the assets range from 4 - 40 years.

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2006

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 20

In accordance with GASB Statement 20, the Authority has elected not to apply the FASB statements and interpretations issued after November 30, 1989 to its financial statements.

NOTE 2 - CASH

CREDIT RISK - Michigan Compiled Laws, Section 129.91, and the Authority's policy authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers acceptance of U.S. Banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CONCENTRATION OF CREDIT RISK – The Authority has no policy that would limit the amount that may be invested with any one issuer.

CUSTODIAL CREDIT RISK – DEPOSITS – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of September 30, 2006, \$217,314 of the Authority's bank balance of \$322,584 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - CAPITAL ASSETS

Major classes of capital assets consist of the following at September 30, 2006:

	Purchased with Authority Funds	Purchased with Capital Grants	Total
Assets not being depreciated			
Land	\$ 46,805	\$ -	\$ 46,805
Other capital assets			
Buildings	280,813	1,695,644	1,976,457
Vehicles	61,880	1,444,854	1,506,734
Office equipment	21,645	46,476	68,121
Maintenance equipment	4,099	112,379	116,478
Communication equipment	-	35,307	35,307
	<u>415,242</u>	<u>3,334,660</u>	<u>3,749,902</u>
Less: accumulated depreciation	<u>(138,524)</u>	<u>(1,112,047)</u>	<u>(1,250,571)</u>
Net capital assets	<u>\$ 276,718</u>	<u>\$ 2,222,613</u>	<u>\$ 2,499,331</u>

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2006

Additions and disposals for the year ended September 30, 2006 are as follows:

	Balance as of September 30, 2005	Additions	Disposals	Balance as of September 30, 2006
Assets not being depreciated				
Land	\$ 46,805	\$ -	\$ -	\$ 46,805
Other capital assets				
Buildings	1,976,457	-	-	1,976,457
Vehicles	1,506,734	-	-	1,506,734
Office equipment	68,121	-	-	68,121
Maintenance equipment	108,350	8,128	-	116,478
Communication equipment	35,307	-	-	35,307
	3,741,774	8,128	-	3,749,902
Less: accumulated depreciation	(947,079)	(303,492)	-	(1,250,571)
Net capital assets	<u>\$ 2,794,695</u>	<u>\$ (295,364)</u>	<u>\$ -</u>	<u>\$ 2,499,331</u>

Depreciation expense for the year ended September 30, 2006 was \$303,492. When assets purchased with capital grant funds are withdrawn from mass transportation service, the grantee must remit to the grantor the grantor's pro-rata share of the fair market value as of the date the asset was withdrawn.

NOTE 4 - PENSION

On October 1, 1995, the Authority established a defined contribution plan covering all full-time personnel. Any employee who works 25 hours or more per week is eligible. Vesting is 100% after second year of service. Employer contributions are based upon 5% of each employee's wages. Employees are required to contribute a minimum of 2% to the plan. The total pension expense for the year ended September 30, 2006 was \$33,610.

NOTE 5 - RISK MANAGEMENT

Greater Lapeer Transportation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). Greater Lapeer Transportation Authority has purchased commercial insurance for workers' compensation claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Greater Lapeer Transportation Authority participates in the Michigan Municipal League risk pool for claims relating to property, general liability and vehicle coverage. The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2006

NOTE 6 - DEFERRED COMPENSATION

Greater Lapeer Transportation Authority offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Greater Lapeer Transportation Authority for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with accounting principles generally accepted in the United States of America, plan balances and activities are not reflected in Greater Lapeer Transportation Authority's financial statements.

NOTE 7 - CONTRACT COMMITMENT

On May 10, 2006, Greater Lapeer Transportation Authority committed to purchase a new bus for \$88,550. The bus will be purchased with Section 5311 capital funds and will be received in fiscal year 2007.

NOTE 8 - SUBSEQUENT EVENT

On November 8, 2006, the Greater Lapeer Transportation Authority board authorized a 2007 millage levy of .25 mills for operations, as was voted by the people on August 8, 2006.

Greater Lapeer Transportation Authority
Schedule of Operating Expenses
For the Year Ended September 30, 2006

	<u>Operation</u>	<u>Maintenance</u>	<u>Administration</u>	<u>System</u>
Labor				
Operating salaries and wages	\$ 405,076	\$ 47,737	\$ 36,981	\$ 489,794
Other salaries and wages	80,494	-	85,065	165,559
Fringe benefits	227,922	15,844	32,775	276,541
Other services	3,874	9,850	14,432	28,156
Materials and supplies				
Fuel and lubricants	96,710	-	-	96,710
Tires and tubes	-	12,086	-	12,086
Other materials and supplies	432	18,219	8,085	26,736
Utilities	3,928	-	18,487	22,415
Casualty and liability costs				
Premiums for public liability and property damage insurance	51,105	-	-	51,105
Other casualty and liability	-	-	15,177	15,177
Miscellaneous				
Advertising	-	-	630	630
Travel	604	-	3,344	3,948
Dues and publications	-	-	3,161	3,161
Interest	103	-	-	103
Other	220	1,566	30,057	31,843
Purchased transportation	<u>258,861</u>	<u>-</u>	<u>-</u>	<u>258,861</u>
Total	1,129,329	105,302	248,194	1,482,825
Depreciation	<u>281,140</u>	<u>-</u>	<u>22,352</u>	<u>303,492</u>
Total operating expenses	<u>\$ 1,410,469</u>	<u>\$ 105,302</u>	<u>\$ 270,546</u>	<u>\$ 1,786,317</u>

Greater Lapeer Transportation Authority
Schedule of Nonoperating Revenue - Local
For the Year Ended September 30, 2006

Local nonoperating revenue	
City of Lapeer	\$ 38,591
Township of Lapeer	5,290
Township of Elba	4,496
Township of Mayfield	14,836
Township of Oregon	4,069
Township of Deerfield	<u>4,218</u>
	71,500
Interest income	12,178
Other income	<u>2,017</u>
Total nonoperating revenues - local	<u><u>\$ 85,695</u></u>

Greater Lapeer Transportation Authority
Schedule of Nonoperating Revenue - State and Federal
For the Year Ended September 30, 2006

State of Michigan operating grants

Local Bus Operating Assistance (Act 51) 05-06	\$ 588,825
Local Bus Operating Assistance (Act 51) 04-05	23,226
Local Bus Operating Assistance (Act 51) 03-04	28,469
Local Bus Operating Assistance (Act 51) 02-03	(3,350)
Local Bus Operating Assistance (Act 51) 01-02	3,568
Local Bus Operating Assistance (Act 51) 00-01	4,739
Local Bus Operating Assistance (Act 51) 99-00	<u>21,279</u>

Total State of Michigan operating grants	<u>666,756</u>
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State of Michigan capital grants

U.S. F.T.A. Capital Assistance - Section 5309	<u>2,305</u>
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Federal operating grants

Rural Transit Assistance Program	1,636
U.S. F.T.A. Operating Grant - Section 5311 99-00	(284)
U.S. F.T.A. Operating Grant - Section 5311 04-05	222
U.S. F.T.A. Operating Grant - Section 5311 05-06	<u>255,003</u>

Total Federal operating grants	<u>256,577</u>
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Federal capital grants

U.S. F.T.A. Capital Assistance - Section 5309	<u>9,218</u>
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Total nonoperating revenues - state and federal	<u><u>\$ 934,856</u></u>
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Greater Lapeer Transportation Authority
Net Eligible Costs Computation of
General Operations
For the Year Ended September 30, 2006

	Federal Section 5311	State Operating Assistance
Expenses		
Labor	\$ 655,353	\$ 655,353
Fringe benefits	276,541	276,541
Other services	28,156	28,156
Materials and supplies	135,532	135,532
Utilities	22,415	22,415
Casualty and liability costs	66,282	66,282
Purchased transportation	258,861	258,861
Depreciation	303,492	303,492
Advertising	630	630
Interest	103	103
Miscellaneous	38,952	38,952
Total expenses	<u>1,786,317</u>	<u>1,786,317</u>
Less ineligible expenses		
Depreciation	281,140	281,140
MPTA dues (6.8%)	127	127
Expenses reimbursed by RTAP	1,636	1,636
Expenses reimbursed by Project Zero	3,395	3,395
	<u>286,298</u>	<u>286,298</u>
Net eligible expenses - federal and state	<u><u>\$ 1,500,019</u></u>	<u><u>\$ 1,500,019</u></u>
Federal revenue calculation		
Reimbursable percentage	<u>17.00%</u>	
Statutory cap	<u><u>\$ 255,003</u></u>	
Federal operating assistance revenue received	<u><u>\$ 228,630</u></u>	
State revenue calculation		
Reimbursable percentage		60%
Statutory cap		<u><u>\$ 900,011</u></u>
Formula reimbursement percentage		39.25%
Formula reimbursement		<u><u>\$ 588,825</u></u>
State operating assistance revenue received		<u><u>\$ 613,720</u></u>
Due from (to) state and federal government	<u><u>\$ 26,373</u></u>	<u><u>\$ (24,895)</u></u>

Greater Lapeer Transportation Authority
Schedule of Ineligible Costs
For the Year Ended September 30, 2006

Program	Finding/Noncompliance	State Operating Assistance	Federal § 5311
02-0041			
	1. Depreciation: Depreciation accrued on contributed capital or reimbursed capital expenditures must be deducted as ineligible expense.	\$ 281,140	\$ 281,140
	2. MPTA dues (6.8% of \$ 1,873 - ineligible costs)	127	127
	3. Expenses reimbursed by RTAP	1,636	1,636
	4. Uncapitalized expenses reimbursed by Capital Grants	<u>3,395</u>	<u>3,395</u>
		<u>\$ 286,298</u>	<u>\$ 286,298</u>

Greater Lapeer Transportation Authority
Mileage Data (Unaudited)
For the Year Ended September 30, 2006

Public
Transportation
Mileage

DEMAND RESPONSE

First quarter	133,427
Second quarter	136,132
Third quarter	137,503
Fourth quarter	<u>115,915</u>
	<u><u>522,977</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.



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Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

November 22, 2006

The Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan

In planning and performing our audit of the basic financial statements of the Greater Lapeer Transportation Authority for the year ended September 30, 2006, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control system.

However, during our engagement we became aware of a couple of items that offer an opportunity to strengthen internal controls and operating efficiency. We would like to share these matters with you and offer our recommendations.

SEGREGATION OF DUTIES

During the audit, it was noted that the same person is responsible for receiving, depositing and posting cash receipts. That same person is responsible for preparing and sending disbursements as well as completing the bank reconciliation. There is monitoring by the board after the fact, but in order to strengthen controls and mitigate the risk of improper use of funds, it is our recommendation that the Executive Director, or another employee independent of the cash receipts and disbursements functions prepare the bank reconciliation.

RECONCILIATION OF CASH RECEIPTS

We noted during the audit that there was an instance of cash being taken from the proceeds of token sales. The instance was caught because of other employees' suspicions and new reconciliation procedures being put into place. It is our recommendation that these reconciliations continue on a daily basis to verify that each day's token sales are being properly deposited.

CAPITAL ASSET POLICY

Through our review of capital assets, we noted that there is not a formal capitalization policy in place. Consequently, the treatment of capital additions and repairs and maintenance is inconsistent. We recommend that the Authority establish a policy where all capital asset purchased over a certain dollar amount and having a useful life of more than one year be capitalized. Furthermore, a listing of the fixed assets should be reviewed on an annual basis to determine which assets are no longer in use. This will provide management with the ability to better track the capital assets of the Authority.

BACKDATING CHECKS

During the audit we noted that instead of adding an expense to payables, a check was backdated into September in an attempt to record the expense in the correct period. Because the bank reconciliation had already been done for September at the time the check was backdated, it resulted in the cash balance in the general ledger not reconciling to the bank reconciliation. It is our recommendation that instead of backdating checks, amounts should be added to the accounts payable listing.

November 22, 2006

The Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan

GRANT RECONCILIATIONS

It was noted during the audit that there was an instance that the full Project Zero grant award amount had not been requested because management was not aware that there was money remaining to be requested. It is our recommendation that management perform grant reconciliations each year in order to reconcile the grant award amount with the amounts requested, and amounts remaining at year end in order to prevent such an instance from recurring. This will not only assist management in verifying that all available funds have been requested, but also cut down on time spent on the audit at year end, as those grants have to be looked at to determine if a Single Audit is deemed necessary.

STATUS OF PRIOR YEAR COMMENTS

BACKUP PROCEDURES

During the prior audit, it was noted that the accounting software back up procedures to CD-Rom were not working properly. This issue has been resolved and backups are now being made to a CD on a regular basis.

ACCURACY OF ACCOUNT BALANCES

We noted during the prior audit that when disbursements are made and cash is received, there were several instances where the appropriate accrual was not relieved but was recorded as revenue or expense. We also noted some account balances which had not changed from the previous year end balances. It was our recommendation that management review the balance sheet on a monthly basis to assess the reasonableness of the account balances. We noted that progress had been made, but that payroll liabilities had not been adjusted from the prior year.

This report is intended solely for the use of management and should not be used for any other purpose.

We appreciate the opportunity to serve the Greater Lapeer Transportation Authority and would like to thank Beverly Dupuis and Carol Wegher for their assistance during our engagement. Should you have any questions, please feel free to contact our office.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants



Brian Dixon, CPA